REMARKS

By virtue of the instant Amendment and Response, claims 1-45 are pending. No new matter has been introduced. Reexamination and reconsideration of the application are respectfully requested.

In the Office Action dated February 28, 2001, the Examiner objected to the drawings for failing to comply with 37 CFR 1.84(g). The drawings have been corrected in order to comply with 37 CFR 1.84(g). The Examiner also objected to the specification based on a typographical error. The latter has also been corrected by virtue of the instant Amendment and Response.

The Examiner rejected claims 1-45 under 35 U.S.C. § 102(b) based on public use or sale of the invention. The Examiner also rejected claims 1-9, 19-20, and 26-45 under 35 U.S.C. § 102(b) as being anticipated by the article "Nest Egg Plans Raise Thorny Tax Issues", by Cynthia Crosson from National Underwriter, February 20, 1995 (hereinafter, "Crosson"). Similarly, claims 12-19 were rejected under 35 U.S.C. § 102(b) as being anticipated by the article "CIGNA LTD Add-On Funds 401(k) During Disability", by Linda Koco from National Underwriter, September 24, 1990 (hereinafter, "Koco"). In addition, the Examiner rejected claims 10, 11, and 21-25 under 35 U.S.C. §103(a) as being unpatentable over Crosson. These rejections are respectfully traversed.

The present invention relates to a system and method for insuring against loss of retirement benefits and, more specifically, for providing insurance protection against loss of contributions to tax-favored defined contribution plan accounts, as well as other types of retirement accounts, in the event of a plan participant's disability. The invention complies with the restrictions imposed by the Internal Revenue Code (IRC) by including disability insurance as <u>a feature of the plan</u>. A disability insurance policy is held <u>as an investment of the plan</u>, insurance premiums are paid <u>from the assets of the plan</u>,

and benefits paid during a period of disability are paid to the plan. Thus, by structuring the insurance as a "benefit, right, or feature" of the plan (as defined by the IRC), the amount of insurance coverage available to each participant may be substantially equal to the participant's level of contributions to any kind of tax-qualified plan, including 401(k) plans.

More specifically, the invention includes a method and system for insuring contributions to a defined contribution retirement plan against loss due to long term disability in a manner that allows the insurance to match the exact loss, with regard to amount (i.e., the insurance benefit is substantially equal to the pre-disability contribution level), with regard to payment (i.e., the insurance benefit is paid into the account), and with regard to taxation (i.e., the premium is pre-tax and the benefit is tax deferred until withdrawn from the account) by including disability insurance as a feature of the plan subject to the plan's non-discrimination rules and regulations, and holding the disability policy as an asset of the plan's trust, so that trust assets are invested as premiums and beneficiary payments are received as investment returns.

Claim 1 recites:

1. A method for making substitute continuing periodic payments into an investment account normally paid from a specific source, during a period of nonpayment from the specific source, wherein the nonpayment is due to a particular condition, comprising the steps of:

(a) purchasing, with funds of an investment account an insurance policy to make, upon occurrence of a particular condition causing a period of nonpayment to said investment account, substitute payments to said investment account in

amounts approximately equal to those paid from a special source before said period of nonpayment; and

(b) paying, upon occurrence of said particular condition, benefits under said insurance policy into said investment account. (Emphasis added).

Crosson describes a product which is intended to replace the annual payments that an employer and an employee would normally make (i.e., prior to the employee's disability) into a pension plan by providing an insurance policy, whereby payments intended to replace the annual payments are placed into a separate annuity or other vehicle outside of the employer's plan. Thus, Crosson cites a Corporate Compensation Plans ("CCP") product, and the UNUM product, "Lifestyle Security Protection", as an example, wherein a comparable annual contribution is made to an individual annuity during a period of disability.

The Examiner asserts that Crosson describes the CCP product that makes substitute continuing periodic payments into investment accounts during a period of employee nonpayment due to a disability. However, the CCP product that is referred to in Crosson is markedly different from the product that is taught by the instant invention and specified in the claims. As will be discussed more thoroughly throughout the instant Amendment and Response, the CCP product to which Crosson makes reference utilizes essentially a supplemental insurance policy to insure an additional percentage of compensation. *See, e.g.,* Crosson, p. 1, Par. 5 ("the product is an option with a long-term disability policy"). Thus, in contrast with the invention of every single claim of the instant patent application, the CCP product referenced in Crosson is not one in which an insurance policy is purchased with funds of an investment account and, upon occurrence of a particular condition causing a period of nonpayment to the account, substitute payments are paid into the same investment

account. *See* Crosson, p. 1, Par. 6 (payments are put "into a separate annuity or other vehicle outside of the employer's plan").

Therefore, in light of the above, it is respectfully submitted that Crosson is not a relevant reference for the purposes of a public-use/on-sale rejection under 35 U.S.C. § 102(b) and, as such, the Applicants respectfully request that the rejection be withdrawn.

Crosson further describes UNUM's "Lifestyle Security Protection" (hereinafter referred to as the "UNUM product") which, upon disability, makes the annual contribution that had previously been contributed to the retirement plan payable into an individual annuity account during the period of disability. Crosson, page 2, Par. 2. Moreover, Crosson indicates that the UNUM product is one in which the insurance is purchased with employee and/or employer funds. Id., Par. 8.

In contrast, independent Claim 1 is directed to a method for making substitute payments into an investment account, wherein the insurance policy is purchased with funds of the investment account and, upon occurrence of a particular condition causing a period of nonpayment to the investment account, substitute payments are paid into the same investment account. That is, the source of the funds for purchasing the insurance policy as specified in claim 1 is different from that described in the cited reference. Moreover, in the invention of claim 1, the payments are made into the same account, rather than a separate individual annuity account. As such, at least these limitations of claim 1 are not met by the disclosure in Crosson, i.e., the invention of claim 1 is markedly different and distinguishable from the product described in Crosson.

It is important to note that the above-mentioned distinctions regarding both the source and the destination of the funds are fundamental to the viability of the instant invention vis-a-vis current tax laws. More specifically, the Examiner states that the product described in Crosson allows for minimization of tax consequences by ensuring that employers pass the premium on to employees.

In other words, the source of the premiums appears to be of significance only insofar as it affects future taxation of the funds. However, the requirement in claim 1 that the insurance policy be purchased with funds of the same investment account into which the payments are paid is more than merely a vehicle to minimize tax consequences; it is a feature that is required in order for the overall methodology to be acceptable under the Internal Revenue Code (IRC), e.g., to ensure compliance with maximum annual addition limitations under IRC § 415(c), as well as avoid disqualification of the plan under the IRC's discrimination testing standards. *See, e.g.*, p. 20, lines 1-7 of the specification as filed. In addition, as was described previously, the instant invention provides for an exact match with regard to taxation (i.e., the premium is pre-tax and the benefit is tax deferred until withdrawn from the account), as opposed to simply attempting to minimize the tax consequences.

Moreover, the instant invention is not limited to meeting only the needs of "highly-paid executives" (*see* Crosson, p. 2, Par. 4). Heretofore, no method and system have been devised, whereby both highly-compensated and non-highly-compensated employees are able to have their contributions matched (*see, e.g.,* the CIGNA reference discussed hereinbelow). The specification of the instant application discusses, at some length, the prior art relating to the kind of arrangement disclosed in Crosson. *See, e.g.,* p. 7, line 8 – p. 8, line 23. More specifically, the specification provides that:

> Some employers have increased the benefits payable under their group long-term disability (LTD) contract, or their long-term disability program, to cover the potential loss . . . . The insurance may not be "linked" to employee deferrals. Tax policy requires that no other benefits may be contingent upon an employee's deferral election under a 401(k) plan. If the employer links the amount of coverage under a group LTD policy directly or indirectly to the level of employee deferrals and/or employer matching contributions under a 401(k) plan, contributions to the plan will cease to be viewed as "elective deferral contributions" under the federal tax laws. And, since highly compensated employees and non-highly compensated employees elect deferrals at differing percentages of compensation, without the special tests applicable to deferrals, these contributions would not be able to pass the non-discrimination

> requirements. Alternatively, for the employer to set an arbitrary amount of insurance based on average contributions would result in some employees having their account funded more heavily if they *become* disabled, and other employees having their account under-funded in the event of disability. Id., p. 7, line 21 – p. 8, line 10. (Emphasis in original).

The instant invention avoids these pitfalls by placing a stand-alone Long Term Disability (LTD) policy into the plan (e.g., a qualified retirement plan). Thus, as recited in claim 1, an insurance policy is purchased with funds of an investment account, i.e., the insurance policy is an investment of the fund, or trust, assets. As such, benefit payments are considered investment returns of the plan, which do not need to be treated differently for highly-compensated, as opposed to non-highly-compensated, employees.

Thus, based on the above distinctions, it is respectfully submitted that the invention specified in claim 1 is markedly different from the disclosure in Crosson, such that the invention was not in public use or on sale vis-a-vis the Crosson reference. Therefore, the applicants respectfully request that the rejection under 35 U.S.C. §102(b) be withdrawn. Similarly, since claims 2 – 28 are dependent on claim 1, it is respectfully submitted that the product described in Crosson does not meet all of the limitations of claims 2 – 28 either, so that the rejection under 35 U.S.C. §102(b) as to these claims should also be withdrawn.

In a similar fashion, independent claim 29 is directed to making substitute contributions into a retirement account during a period of non-contribution, wherein an insurance policy is purchased with funds of the retirement account, and the substitute contributions are made into the retirement account. As was discussed with respect to claim 1 above, these limitations are not satisfied by the product disclosed in Crosson. Thus, it is respectfully requested that the rejection of claim 29, as well as claim 30, which is dependent on claim 29, under 35 U.S.C. §102(b) be withdrawn.

Independent claim 31 is directed to a system for ensuring against loss of accumulations in a

retirement plan account during a period of non-contribution, wherein the system includes, *inter alia*, means for deducting calculated premium amounts from plan assets (element (g)), as well as an insurance policy adapted to make substitute contributions to the same account (element (a)). Again, as was discussed above with respect to claim 1 (*see also* the discussion below regarding anticipation), these limitations are not satisfied by the products disclosed in Crosson.

All in all, in light of the above discussion relating to the products referenced in Crosson, it is respectfully submitted that Crosson is not a relevant reference for the purposes of a public-use/on-sale rejection under 35 U.S.C. § 102(b) and, as such, the Applicants respectfully request that the rejection asserted in Paragraph 6 of the Office Action as to all of the claims be withdrawn.

The Examiner also rejected claims 1 - 9, 19 - 20, and 26 - 45 under U.S.C. §102 (b) as being anticipated by Crosson. With regard to claim 1, it is respectfully submitted that, although the Examiner describes purported similarities between the disclosure in Crosson, on the one hand, and the preamble of claim 1, on the other, the Examiner includes no discussion of any of the actual limitations of claim 1, i.e., steps (a) and (b) of the method of claim 1. *See* Office Action, P. 4, Par. 1, et seq. As has been discussed previously, the limitations of claim 1 requiring that: (1) the insurance policy be purchased with funds of the investment account; and (2) substitute payments be paid into the same investment account, are nowhere described in Crosson. Therefore, the applicants respectfully submit that claim 1 distinguishes over Crosson and, as such, request that the rejection of claim 1 based on anticipation be withdrawn.

Moreover, it is respectfully submitted that, independent claim 1 not being anticipated by the cited reference, claims 2 – 9, 19 – 20, and 26 – 28, all of which are either directly or indirectly dependent on claim 1, are not anticipated by Crosson either. Thus, the Applicants respectfully request that the rejection based on anticipation as to these claims be withdrawn as well.

The Examiner states that independent claim 29, as well as claim 30, which depends from claim 29, "are substantially similar to claim 1 and as such, they are rejected for similar reasons". *See* Office Action, P. 4, Par. 2. Again, independent claim 29 requires that: (1) the insurance policy be purchased with funds of the retirement account; and (2) substitute contribution be paid into the same retirement account. As was the case with claim 1, these limitations are neither disclosed in, nor taught by, Crosson. Thus, the Applicants respectfully submit that claims 29 and 30 are not anticipated by Crosson, and request that the rejection as to these claims be withdrawn.

Claim 31 recites:

> 31. A system for insuring against loss of accumulations in a retirement plan account during a period of noncontribution caused by a particular condition, comprising:
>
> (a) an insurance policy adapted to make, upon occurrence of a particular condition causing a period of noncontribution to a potentially-eligible employee's retirement plan account, substitute contributions to said account in amounts approximately equal to those made by said potentially-eligible employees and/or by said potentially eligible employee's employer before a period of noncontribution;
>
> (b) means for collecting and storing potentially-eligible employee indicative data;
>
> (c) means for determining an employee's potential eligibility to be a member of a group insured under said insurance policy;

(d) means for calculating periodic premiums for each potentially-eligible employee for appropriate coverage under said insurance policy;

(e) means for accounting premiums paid for said insurance policy;

(f) means for accounting benefits paid under said insurance policy; and

(g) means for deducting calculated premium amounts from plan assets.

(Emphases added).

Claim 31 is directed to a system for allowing the insurance policy to make substitute contributions into a retirement plan account. As the Examiner has recognized, Crosson does not describe or teach such a system. Nevertheless, the Examiner contends that "inherent in the methods and programs developed by the [companies discussed in Crosson] to deliver their disability insurance products are the infrastructures and systems necessary to output and realize those methodologies." Office Action, pp. 6-7. This assertion is respectfully traversed.

As an initial matter, it is believed that it would have been neither "inherent", nor obvious to one of ordinary skill in the art, to employ the exact system of claim 31 to practice the methodology. However, even assuming, *arguendo*, that such could be the case, the Examiner's assertion regarding anticipation by Crosson could be made only if the methodologies are the same. But, this is not the case. As has been discussed previously, the methodology of the instant invention comprises, *inter alia*: (1) purchasing the insurance policy with funds of an investment, retirement, etc. account; and (2) paying substitute payments into the same account. Again, Crosson does not disclose or teach these features.

These features are also reflected in the system that is the subject of claim 31. Claim 31 recites

a system for insuring loss of accumulations in <u>a retirement plan account</u>, which system comprises, *inter alia*: (1) an insurance policy adapted to <u>make substitute contributions to said account</u>; and (2) means for deducting calculated <u>premium amounts from plan assets</u>. Thus, the system requires means to allow premium amounts to be deducted from the assets of the same plan to which substitute contributions are made. As the Examiner has conceded, such a system is neither disclosed in, nor taught by, Crosson. Moreover, such a system <u>could not be</u> inherent in a methodology which, itself, does not include these steps.

In the Office Action (p. 7, second full paragraph), the Examiner states that "there must be accounting means in place to track <u>premium payments and benefits paid out from plan assets</u>." (Emphasis added). The Examiner also asserts that:

> In order to offer an insurance policy adapted to <u>make substitute contributions to a potentially-eligible employee's retirement plan account</u> approximately equal to those made by the employee and/or employer prior to the occurrence of a particular condition, there must be a system configured to output such a policy as a product. Office Action, p. 7, first full paragraph. (Emphasis added).

The Applicants respectfully submit that, even if the Examiner's assertions of inherency were accepted on their face, there is no disclosure or teaching in Crosson for <u>making premium payments from plan assets</u>. Rather, Crosson discloses a product in which: (1) the insurance premiums are paid <u>by either the employer or the employee</u>, rather than from the plan assets (Crosson, p. 2); and (2) the insurer makes payments to a <u>separate</u> annuity or other vehicle <u>outside of the employer's plan</u>, rather to a potentially-eligible employee's retirement plant account itself (Crosson, p. 1). Thus, the Applicants respectfully submit that the limitations of claim 31 are neither inherent in, nor disclosed or taught by, the Crosson reference, and request that the rejection of claim 31 based on anticipation be withdrawn.

In addition, it is respectfully submitted that, independent claim 31 not being anticipated by the

cited reference, claims 32 - 45, all of which are dependent on claim 31, are also not anticipated by Crosson. In addition, as to claims 32 and 33, the Examiner states that:

> Crosson teaches that the insurance policy premiums are paid on a monthly basis . . . That is, the investment account is established and paid into in consecutive fixed time periods by paying premiums, and benefits under the insurance policy are paid into said investment account upon occurrence of said particular condition, such as disability, in a second, later time period. Office Action, p. 7, last full paragraph. (Emphasis added).
>
> In contrast, claims 32 and 33 recite, respectively:
>
> 32. The system of Claim 31, further including means for paying premiums for said insurance policy from contribution sources from a prior plan period. (Emphasis added).
>
> 33. The system of Claim 31, further including means for paying premiums for said insurance policy from investment earnings from a prior plan period. (Emphasis added).

As is apparent from the Examiner's statement quoted above, the Examiner has interpreted claims 32 and 33 to recite an invention wherein the insurance premiums are paid on a monthly (or other temporal) basis. However, claims 32 and 33 are not directed to the frequency of payments; rather, they are directed to the source of payment.

This is significant in the following sense: generally, in a 401(k) plan, all money contributed or earned is tied to a specific plan year. Within the context of the instant invention, one way for the LTD policy to meet the 401(k) plan's non-discrimination rules is to actually use money that was contributed to the plan (claim 32), or earned by the plan (claim 33), in the prior plan year to pay the current year's LTD premium. Neither this arrangement, nor a system to operationalize this

arrangement, is disclosed in Crosson. As such, the Applicants respectfully request that the rejection based on anticipation as to claims 32 and 33, as well as claims 34-45 be withdrawn as well.

The Examiner also rejected claims 12 - 19 under 35 U.S.C. § 102(b) has being anticipated by Koco. The Koco reference refers to a plan offered by CIGNA, which is called Integrated LTD/401(k). The Applicants have been able to locate a more detailed version of the Integrated LTD/401(k) plan (hereinafter referred to as "the CIGNA reference" for ease of reference); the CIGNA reference is included in an Information Disclosure Statement which is being filed concurrently herewith.

According to Koco, the Integrated LTD/401(k) is directed to a plan for making 401(k) contributions on behalf of disabled employees, comprising an endorsement to the employer's LTD plan, plus an amendment to the 401(k) plan, whereby funding toward the 401(k) continues for as long as the employee qualifies for disability and is a participant in the 401(k).

The Examiner contends that:

> Koco teaches that the CIGNA insurance policy accepts funds generated by the long-term disability benefits (see p. 2, lines 22 - 23). That is, the policy is purchased with assets of said investment account where the source from which the payments are normally paid consists of a deferral from any employee's compensation for work. (Office Action, p. 10, 3rd Par.).

The above assertion is respectfully traversed. As an initial matter, it is not understood how the first and second sentences of the above-quoted language are logically connected. That is, even if the CIGNA insurance policy did directly accept funds generated by the long-term disability benefits, it does not necessarily follow that the policy is <u>purchased</u> with assets of the investment account, and the Examiner does not cite to any portion of Koco so as to provide support for this proposition. In fact, a review of Koco reveals that there is no disclosure or teaching in Koco that is directed to such a proposition.

The CIGNA reference sheds more light on this issue, as well as the overall methodology employed in the CIGNA product. First, the CIGNA reference discloses that the CIGNA product is 100% employer paid, a strategy that is employed so as to allow the premium to be deductible for the employer. *See* CIGNA reference, p. 22, Q. 20. That is, the premium payment is made by the corporation, i.e., the employer, and not from the plan assets. Second, the disability benefits are not paid directly into the disabled participant's account. Rather, they are made payable to the corporation, which then makes the payments to the account. To this end, the CIGNA reference states that the Integrated LTD/401(k) benefit has been structured as an employer contribution to the 401(k) plan. *See* p. 20, Q.'s 12 & 13; p. 21, Q. 19; *and* p. 22, Q. 21.

Third, since the premiums are paid by, and the benefits are paid to, the employer, it appears that the policies issue to the corporation, and not to the trust, i.e., the policy is not an investment of the trust. Finally, the CIGNA policy disclosed in the CIGNA reference does not treat highly-compensated and non-highly compensated employees equally. *See* p. 18, Q's. 3, 4, & 5; *and* pp. 6 – 17. Thus, it is stated that, "in short, the overall thrust of the integrated LTD/401(k) product is to structure the program around the largest group of participants (non-HCEs), while maximizing allowable benefits payable to a much smaller number of HCE's". P. 17, last paragraph. In other words, at the very least, the contributions of HCE's will not be matched.

As is evident from the above discussion, the CIGNA reference does not disclose, or teach, a product whereby: (1) the insurance policy is purchased with funds of an investment account; (2) substitute payments are paid directly into the same investment account; and (3) the amount of the substitute payments is "approximately equal" to the amounts paid into the account prior to the disability. That is, as was discussed previously with respect to Crosson, the basic requirements of independent claim 1 are not met by the disclosures of either Koco or the CIGNA reference. In

addition, since claims 12 - 19 are either directly or indirectly dependent on claim 1, it is respectfully submitted that the CIGNA product does not meet all of the limitations of claims 12 - 19 either. Therefore, it is respectfully requested that the rejection under 35 U.S.C. §102(b) as to these claims be withdrawn.

The Examiner also rejected claims 10, 11, and 21 - 25 under 35 U.S.C. § 103(a) as being unpatentable over Crosson as applied to claim 1. These rejections are respectfully traversed. As was discussed in detail previously with respect to the rejection of claim 1 over Crosson, the latter neither discloses nor teaches, *inter alia*, the limitations of claim 1 requiring that: (1) the insurance policy be purchased <u>with funds of the investment account</u>; and (2) substitute payments be paid <u>into the same investment account</u>. Thus, contrary to the Examiner's assertion, in order for any one of claims 10, 11, and 21 – 25 (all of which are either directly or indirectly dependent on claim 1) to be considered even potentially unpatentable over Crosson, much more than a mere substitution, or interchangeability, between "trusts" and other investment accounts would be needed.

More specifically, with regard to claim 10, the Examiner takes Official Notice that:

> the trust account is substantially similar to the defined contribution account outlined in Crosson in that the proceeds of both accounts are held by the corporation (employer) for the benefit of the beneficiary (employee) . . . The terms within the art are often used interchangeably. The examiner further asserts that the monies paid in to defined contribution and other retirement plans are held in trust for the benefit of the employee and the employer, that it is well known in the financial arts to do so, and takes Official Notice as such. Office Action, pp. 11-12.

The Applicants respectfully traverse the Examiner's assertions. First, in accordance with the teachings of Crosson, a non-qualified trust would be subject to the IRS "constructive receipt" doctrine and therefore immediately taxable to the employee unless the trust were wholly unfunded and remained the general assets of the employer (i.e. Rabbi Trust). Second, it would be impractical to create a separate trust to hold the beneficiary payments for disabled employees as this would be

complicated and expensive from an administrative standpoint. Thus, as is evident by the state of the art, the payment of benefits to a separate trust has not been widely adopted by existing products. In contrast, within the context of the instant invention, the qualified plan trust already exists, and its administration is not significantly complicated by the presence of disability payments. As such, it is respectfully submitted that one skilled in the art would not have been motivated to utilize a qualified plan trust within the teaching of Crosson.

With regard to claims 11 and 21 – 25, the Examiner asserts that:

> While Crosson does not explicitly teach that the insurance policy is an investment of the trust, . . . the investment in insurance policies with trust fund accounts is well known in the art and takes Official Notice as such. Examples of these retirement accounts held in trust are the Thrift Accounts of the United States Patent and Trademark Office as well as hospital retirement accounts using 403(b) qualifications. One of ordinary skill in the art would be motivated to invest in insurance policies with the trust in order to balance possible liability exposure with assets of similar liquidity. That is, potential outstanding liabilities such as home purchases or college funds or even disability or injury may be balanced with assets having a similar maturity in the future. In this manner, investors match assets and liabilities to ensure portfolio solvency within discrete time periods. Office Action, p. 12.

The Applicants respectfully traverse the Examiner's assertions that it should be well known in the art to include a disability insurance policy as an investment of the trust, and that 403(b) plans could logically invest in disability insurance. First, with regard to the latter, it is noted that 403(b) plans are restricted by law to investing in insurance annuities and mutual funds, not disability insurance. Thus, under current law, 403(b) plans cannot be applied to the present invention. In addition, while 401(a) plans are allowed to invest in "incidental health and welfare benefits" under the tax laws, it has been common practice to invest plan assets in life insurance only. However, until the present invention, there has been a long-felt, yet unfulfilled, need to provide investment in disability insurance in a way that also meets the 401(a) plan's other rules and requirements, especially if the plan is a 401(k) plan.

The present invention satisfies these rules and requirements by basing the eligibility for the insurance and the amount of insurance on contributions which have been demonstrated to be non-discriminatory, i.e., they are an even percentage of compensation, or they are equal to the safe harbor amounts prescribed by tax rules, or they are based on the prior plan year's amounts, which have already been tested under IRC 401(k)/(m). As such, it is respectfully submitted that it is neither disclosed in the art, nor is it well-known, to include disability insurance as a feature of the 401(k) plan, and to purchase the insurance with the trust assets so as to have the policy be an investment of the trust.

Therefore, the Applicants respectfully submit that the invention of each of claims 10, 11, and 21 – 25 (all of which depend either directly or indirectly from claim 1) would not have been obvious to one of ordinary skill in the art at the time the invention was made. As such, the Applicants respectfully request that the rejection of claims 10, 11, and 21 – 25 under 35 U.S.C. § 103(a) be withdrawn.

In response to Paragraph 11 of the Office Action, the Applicants respectfully submit that the references made of record but not relied upon are either distinguishable from the instant invention, and/or not competent as prior art.

As an initial matter, it is noted that, as has been recognized by the Examiner in Paragraph 2 of the Office Action, the instant application, which was filed on June 9, 1999, has properly claimed the benefit of Provisional Patent Application Serial No. 60/088,969, filed June 10, 1998. As such, in the following discussion, the latter priority date, rather than the former date, is used with regard to the propriety of applying the noted references to the claims of the instant application.

a. United States Patent No. 5,999,917 (December 7, 1999) is directed to a system for managing assets and liabilities in nonqualified deferred compensation (NQDC) plans, wherein a

money management system determines if changes in asset allocation are needed, and projects assets/liabilities into the future. The instant invention is distinguishable from the '917 patent. That is, given that the '917 patent is directed to NQDC plans, then, by definition, it is not directed to qualified plans. The instant invention, on the other hand, is directed to methods and systems for enabling qualified plans to hold disability insurance.

b. United States Patent No. 5,913,198 (June 15, 1999) is directed to a system and method for administering self-funded survivor benefit plans. The instant invention is distinct from the '198 patent as the latter is not directed to methods and systems for enabling qualified plans to hold disability insurance.

c. United States Patent No. 4,951,196 (August 21, 1990) is directed to a system for data interchange among trading partners. The Applicants respectfully submit that there is little, if any, relationship between this reference and the instant invention as the '196 patent fails to disclose the elements of any of the claims of the instant application.

d. United States Patent No. 5,806,047 (September 8, 1998) is directed to a data processing system for employer securities in pension accounts to trace the transactions and allocate assets among participants. The instant invention is distinguishable from the '047 patent as the latter is directed to a pension plan, wherein individual pension accounts with employer securities pool the employer securities, sell some of the securities, and purchase other investments to diversify the account. The system tracks flows and properly allocates for individual accounts. Yet, the '047 patent does not disclose a method and system for enabling the placement of disability insurance in a qualified plan. As such, the instant invention is distinguishable from the '047 patent.

e. United States Patent No. 6,085,174 (July 4, 2000) is directed to a program to administer resources for the benefit of a beneficiary of a trust according to preset criteria. The instant

invention is distinguishable from the '174 patent as the latter is directed to the administration of a trust to maximize the value of trust corpus and minimize taxation of distributions in an annuity investment, including administration of non-qualified retirement programs. In contrast, the instant invention is directed to methods and systems for enabling qualified plans to hold disability insurance. As such, the instant invention is distinct from that disclosed in the '174 patent.

f. "Small Business Act Provides Inadequate Solution for Long Term Disability Plans" by Hugh Forcier (November 4, 1996), Pension & Benefits Week, pp. 5-9, pertains to the difficulty in the application of a recent amendment to IRC §415(c)(3)(C) and the issues presented in the amendment effective January 1997. The article concludes that, while §415(c)(3) is attractive because contributions grow on a tax-deferred basis, the amendment has not addressed all of the technical issues. Thus, the article concludes that "other structures should be considered." Id. At 9.

This reference does not disclose or teach the claimed invention of the instant application. In fact, the instant invention addresses the long-felt, yet unmet, need that was recognized in the reference, i.e., that of providing "other structures" to resolve some of the technical issues existing at the time. As such, it is respectfully submitted that the claims of the instant invention are clearly distinguishable from the disclosure of the cited reference.

g. "Gap in LTD Programs Can Disable Retirement" by Philip T. Davis, (November 1994), Best's Review, pp. 100-101. This reference describes the three options known (at the time) to be available for payment of disability benefits for retirement protection. Thus, according to this reference, the entity to which the benefits could be paid include: a variable annuity owned by the employee; an annuity owned by the trust; or the insured participant. However, the reference does not disclose or teach a method or system for enabling qualified plans to hold disability insurance. As

such, it is respectfully submitted that this reference is distinguishable from the claimed invention of the instant application.

h. "UNUM Long Term Disability Products", UNUM Web Page Contents [www.unum.com/products/id/index.html] (listed on November 3, 1997). This reference describes UNUM's Long Life Disability Protection policy, which may provide up to 100% income replacement during the working years, as well as a transformation to Long Term Care (LTC) coverage at retirement. The policy includes a saving supplement option, which offers an additional 10% benefit to offset lost savings for college, retirement, or other long term goals. However, the reference neither discloses nor teaches the claimed invention of the instant application. That is, the reference does not disclose a policy that may be held by a qualified plan. Rather, it merely indicates that a 10% rider can be purchased for purposes of protecting lost savings, retirement assets, etc. As such, it is respectfully submitted that the claimed invention of the instant application is distinguishable over this reference.

i. "Insuring Your 401(k) Contributions" by Stephen Blakely (July 1998), Nation's Business, p. 28. This reference discusses two methods for insuring against loss of retirement contributions in case of disability. Although this reference discusses a CCP product that, in contrast to the one referenced in Crosson, essentially embodies the invention being claimed in the instant application, the date of this reference is after the June 10, 1998 priority date, the benefit of which has been claimed in the instant application. As such, this reference is not competent as prior art in a public use or on sale rejection asserted under 35 U.S.C. §102(b). *See also* Par. "j" immediately below.

j. "New Products Would Continue to Fund 401(k) Plans after Disability" (May 1998), Best's Review, p. 66. This reference describes two products, one by Union Central, and another by CCP, that existed on the market at the time for providing disability insurance within the

context of a 401(k) plan. The Union Central product, as described in the reference, neither teaches nor discloses all of the limitations of the claims of the instant invention. More specifically, the product referenced does not disclose or teach a system or method wherein the disability insurance is an investment of the plan, and the premiums are paid with plan assets.

The CCP product, on the other hand, essentially embodies the invention being claimed in the instant application. However, although material, the reference is not dated more than one year prior to the priority date of the instant application (i.e., June 10, 1998). As such, the reference is not competent as prior art in a public use or on sale rejection asserted under 35 U.S.C. §102(b). In addition, the information relating to the CCP product was disclosed by the same entity that is the assignee of the instant application. Nevertheless, to the extent deemed necessary by the Examiner, the Applicants are prepared to provide a declaration swearing behind this reference.

As was mentioned previously, the Applicants have filed concurrently herewith an Information Disclosure Statement (IDS) which cites the CIGNA reference. In addition, the IDS includes the following: (1) "401 (k) Completion – Making Contributions When They Can't", Union Central Insurance and Investments, April 1998; (2) "Employee Security Benefit Trust", The Union Central Life Insurance Company, July 1997; (3) "401 (k) Completion Feature – Initial Employer Coverage Information Under The Union Central Employee Security Benefit Trust", The Union Central Life Insurance Company, September 1998; and (4) United States Patent No. 6,235,176 B1, Schoen et al., May 22, 2001.

The first three (3) documents identified above (collectively referred to as the "Union Central reference") appear to be interrelated. That is, the first document describes a product called the "401(k) Completion feature" that "ensures continued contributions [to a 401(k) plan] even if the employee becomes disabled". p. 1, Par. 3. This document discloses that the product is designed to

insure contributions to the 401(k) plan in the event of disability, that the eligible group for the insurance is the eligible group for the 401(k) plan, and that the benefit is equal to the last twelve months of tax deferred 401(k) contributions.

The second document details the Employee Security Benefit (ESB) Trust, which is established by the insurer to hold group insurance contracts, and through which the employer becomes a "participating employer" in order to purchase the insurance. No payments under the contracts are made to this trust. The third document appears to constitute the application form through which the employer applies to become a participating employer in the trust.

The Union Central references neither disclose nor teach, however, the elements of the invention claimed in the instant application, wherein the insurance is a feature of the plan, the policy is an investment of the plan, the premiums are paid by plan assets, and the benefit is paid to the plan. Moreover, the only trust utilized in the instant invention is the qualified plan trust that is established by the employer as the plan sponsor, and its sole purpose is to hold assets that will provide retirement benefits to the participants. As such, the trust is not part of the general assets of the employer, an insurer, or any other entity, and it is not subject to the claims of any creditors other than plan participants. Clearly, the Union Central references do not disclose, suggest, or teach all of the limitations of any of the claims of the instant application.

U.S. Patent No. 6,235,176 (the "'176 patent") is related to a digital electrical computer system, as well as methods for making and using same, to compute coverage amounts and calculate coverage costs for participant accounts of a retirement plan qualified under IRC 401(a). The '176 patent does not disclose, *inter alia*, methods and systems for enabling qualified plans to hold disability insurance in such a way as to pay substitute payments into the plan in amounts that are approximately

equal to those contributed to the plan prior to the disability. As such, the claims of the instant application are distinguishable over the '176 patent.

Applicants believe that claims 1 – 45 are in condition for allowance, and a favorable action is respectfully requested. If, for any reason, the Examiner finds the application other than in condition for allowance, the Examiner is requested to call the undersigned attorney at the Los Angeles telephone number (213) 488-7100 to discuss the steps necessary for placing the application in condition for allowance.

Respectfully submitted,

PILLSBURY WINTHROP LLP

Date: August 28, 2001

By: ______________________
Richard H. Zaitlen
Registration No. 27,248
Attorney For Applicants

725 South Figueroa Street, Suite 2800
Los Angeles, CA 90017-5406
Telephone: (213) 488-7100
Facsimile: (213) 629-1033

APPENDIX

VERSION WITH MARKINGS TO SHOW CHANGES MADE

IN THE SPECIFICATION:

The specification is changed as follows:

Last full paragraph starting on page 3 and ending on page 4:

The Loss of income during a period of long-term disability has generally been addressed under an employer's welfare benefits through a long-term disability plan. The employer may [chose] choose to fund this plan through the use of a group long-term disability contract, individual insurance contracts, a self-insurance arrangement, or a combination of the above. This plan partially replaces the loss of regular earnings that would otherwise be paid during the employee's period of disability. Benefits under these disability programs typically stop at the individual's "ADEA cut-off age." For a person who becomes disabled prior to the attainment of age 60, the ADEA cut-off age is usually age 65. For workers who become disabled after attaining age 60, the ADEA cut-off age is usually five years after the commencement of disability payments. This plan typically does not address the needs of disabled employees after retirement age. At retirement, a disabled employee's disability benefit will cease and income must be provided by a combination of Social Security benefits, qualified retirement plan benefits, and personal savings.

Page 16, third full paragraph (starting on line 22):

The following tests must be applied to determine that the insurance offered within the plan [is] meets the non-discrimination requirements of a retirement plan.